

AVERAGE WHOLESALE PRICE (AWP)

BACKGROUND

- AWP is the average of the prices charged by the national drug wholesalers for a given product (NDC).
- AWP is determined by National Pricing Services (First Databank, Medi-Span, etc.) after they survey wholesalers that represent two-thirds of the wholesaler dollar volume nationally. Because individual wholesalers may mark up each manufacturer differently, a weighted average, not a consensus average, is calculated.
- AWP is the most common reimbursement mechanism used in the marketplace.
- Wholesalers historically have applied an AWP mark-up of 25% to products from companies that sold their products directly to retail (ie. Merck, Squibb and Upjohn), and 20% mark-up to products from companies that used wholesalers predominantly for distribution.

This is why a Squibb labeler code (0003) carries a 25% mark-up or AWP, and a Bristol-Myers labeler code (0087) carries a 20% mark-up or AWP.

IMPACT

- New products launched with Trade customers receive less receptivity when carrying a 20% AWP mark-up from Wholesale List Price (WLP) versus a competitive product carrying a 25% AWP mark-up from WLP.

This is due to Pharmacy being reimbursed on managed care prescriptions at AWP minus 15-16%.

- Physicians in a Managed Care setting are incented to prescribe a product with a lower AWP mark-up because the savings go into a "risk pool." Physicians enjoy at least part of that savings as a portion of total reimbursement.
- AWP has no impact on cash paying patients. They are normally charged Wholesale List Price plus 10-30% mark-up.

SUMMARY

- BMS does not set AWP for its' products. Third parties set AWP based on company labeler code and wholesaler surveys.